



Comptroller General
of the United States

Washington, D.C. 20548

Decision

Matter of: Logistics International, Inc.

File: B-254810

Date: January 21, 1994

Sue A. Rupert for the protester.
Stanley W. Kopacz, Jr., Esq., Department of the Air Force,
for the agency.
Catherine E. Pollack, Esq., and John M. Melody, Esq., Office
of the General Counsel, GAO, participated in the preparation
of the decision.

DIGEST

Protest of cancellation of solicitation and withdrawal of
small business set-aside after bid opening is denied where
record supports reasonableness of contracting officer's
determination that all bid prices were unreasonably high, a
compelling basis for cancellation.

DECISION

Logistics International, Inc. (LII) protests the
cancellation and withdrawal from the small business
set-aside program of invitation for bids (IFB) No. F64605-
93-B-0007, issued by the Department of the Air Force for
leasing and maintenance of 122 photocopy machines at Hickam
Air Force Base (AFB), Hawaii. The agency canceled the IFB
because it determined that both bids received were
unreasonably high as compared to the fair market price for
the services. LII contends that the market price as
determined by the survey was unreasonably low.

We deny the protest.

The Air Force issued the IFB on June 16, 1993. Two bids
were received at the August 9 bid opening; LII's was low.
As both bids greatly exceeded the government estimate, the
contracting officer initiated a market survey to determine
whether the bid prices represented fair market prices for
the required services. As there was only one comparable
government contract in Hawaii, the contracting officer
obtained prices of recent Air Force contracts for similar
services in California and Alaska, where economic conditions
are generally considered to be similar to those in Hawaii,
as well as a General Services Administration contract in
North Carolina with requirements very similar to those here.
The contracting officer compared both bids to the incumbent

large business contractor's price and prices for similar contracts; she concluded that LII's bid price was 39 percent higher than the market price and 23 percent higher than the current contract price. (The other bid was 41 percent above the market price.) Based on these survey results, the contracting officer concluded that the IFB should be canceled and the requirement resolicited on an unrestricted basis.

LII challenges the Air Force's conclusion that both bids received were unreasonably priced, arguing that the market survey upon which that conclusion was based did not reflect the specific requirements of this IFB or the market conditions in Hawaii. LII concludes that the agency should have awarded it the contract instead of canceling the IFB.

An agency may cancel an IFB after bid opening if it has a compelling reason to do so--for example, if the prices received are unreasonably high. See Federal Acquisition Regulation (FAR) § 14.404-1(c)(6); Atkinson Dredging Co., Inc., B-250965; B-250967, Feb. 17, 1993, 93-1 CPD ¶ 153. The FAR provides that the contracting officer shall determine the fair market price for a small business set-aside in accordance with the reasonable price guidelines set forth in FAR § 15.805-2, including a comparison of the prices received with the government estimate and with prior or similar contract prices. See FAR §§ 19.202-6 and 15.805-2(b); Crown Laundry & Dry Cleaners, Inc., B-224374.2, Jan. 20, 1987, 87-1 CPD ¶ 71. The contracting officer may withdraw a small business set-aside after bid opening if she determines that the award would not be made at a fair market price. FAR § 19.506(a). This determination involves the exercise of business judgment on the part of the contracting officer; our Office will not question the contracting officer's discretion in this regard unless it is unreasonable. Id.

LII has not established that the contracting officer's fair market price determination was unreasonable. The determination was based on a comparison with the government estimate,¹ the current contract price, and prices of

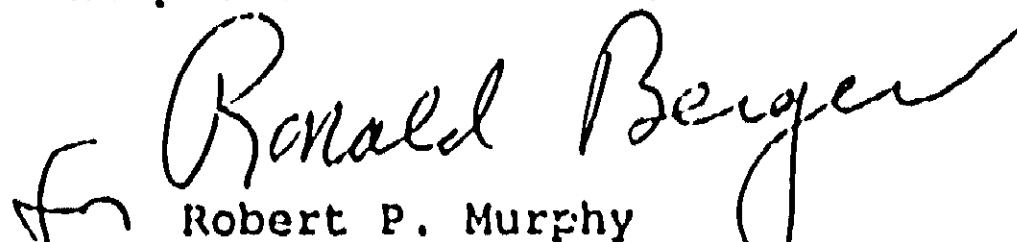
¹LII alleges that the agency in fact did not develop the government estimate before bid opening as required, but instead created it after bid opening to help justify its conclusion that the bid prices were unreasonably high. Nothing in the record supports this speculative allegation. In any case, as the agency's price unreasonableness determination was based primarily on the market survey conducted after bid opening, any absence of a government estimate before bid opening would not affect our conclusion that the determination was reasonable.

similar contracts in geographic locations reflecting similar economic conditions, all of which are valid bases for determining the fairness of bid prices. See Crown Laundry & Dry Cleaners, Inc., supra. Although LII contends that the contracting officer failed to consider both the unique economic conditions in Hawaii and the differences in requirements between this contract and those surveyed, the contracting officer asserts that she did consider those factors, and concluded that they did not account for the 39 percent disparity between LII's price and the market survey price.

LII has provided no evidence that would provide a basis to question these conclusions. LII does allege that the cost of insurance, such as workmen's compensation, is higher in Hawaii than in the locations surveyed, but it has not offered any support for this assertion, and has not explained how much this allegedly higher insurance cost affected its price. LII also states that there is an import tax in Hawaii that is reflected in its prices, but, again, does not explain how much this tax impacted its prices as compared to a similar contract in California or Alaska.

We conclude that LII has not established that the contracting officer's fair market price determination was unreasonable. We therefore have no basis to question her decision to cancel the IFB and withdraw the small business set-aside based on unreasonably high bid prices.² See Atkinson Dredging Co., Inc., supra (agency's decision to cancel IFB and withdraw set-aside was reasonable where protester failed to establish that government estimate--the sole basis for agency's price unreasonableness determination--was sufficiently understated to call the determination into question).

The protest is denied.


 Robert P. Murphy
 Acting General Counsel

²We note that the record shows that the contracting officer shared the market survey results with the local Small Business Administration representative before canceling the IFB; the representative did not object to the contracting officer's decision to cancel the IFB and resolicit the requirement on an unrestricted basis.